

TELLOFAX 21

~~Security Information~~

Country: Taiwan

25X1A2g

Subject: Standard Tungsten Corporation/Its Position in Postwar
Political Life of Taiwan

Place Acquired by Source: ----25X1A6a

Date Acquired by Source :

Date of Information : Mar 53

This material contains information affecting the national defense of the United States within the meaning of the espionage laws, Title 18, USC, Secs. 793 and 794, the transmission or revelation of which in any manner to an unauthorized person is prohibited by law.

Source Description

25X1X6

1. Since January of this year [1953], there have been in the financial section of the New York World Telegram various advertisements for common stock of the Standard Tungsten Corporation, the organization and personnel of which were at first not known to the public, least of all to the Chinese in this country. However, this enterprise might be one of the immediate causes of the removal of K. C. Wu as the Governor of Taiwan, or it might be stated that the opposition just took the opportunity to climax their year-long anti-Wu campaign (maneuvered in New York as well as on Taiwan), as later developments branching out from these advertisements tended to support this point.

The events are chronologically as follow:

2. On 17 March 1953, Ralph Hendershot, Financial Editor of the New York World Telegram, wrote in his regular column about the Standard Tungsten Corporation being financed by "a group of Chinese Nationalists in Formosa closely identified with Chiang Kai-shek" and headed by Dr. S. C. Hu "who came to the United States in 1939 with a Sloan Research fellowship and subsequently won a Salisbury prize for highest scholarship in MIT".
3. Hendershot further stated that Hu "made the Arizona tungsten discovery for this Chinese group during the years of World War II. But it was decided to keep the discovery under wraps until last November [1952] because of the unfavorable political relationship between this country and the Chinese Nationalists. But the group lost no time in moving once it became apparent the coast was clear. Thus far it has spent about \$500,000 improving up the property, building roads, etc. It is now ready to put up its mill and get into actual production."
4. In addition, Hendershot said that "the group has more than enough money to carry the operation through to completion but that, for political and other reasons, Americans have been invited to participate in the enterprise. This is being accomplished by authorizing several underwriting firms to offer a small issue of stock. The idea is to gain as wide distribution of the issue as possible. It is hoped in this manner also to create a partnership between Chinese and American investors."

RETURN TO CIA

LIBRARY

This unevaluated information for US Officials Only is supplied for the possible interest of your command.

25X1A2g

5. This article was apparently overlooked by the Chinese Nationalist officials and the Chinese press in New York. For weeks there was no Chinese official reaction, and there was not one word about it in all five Chinese-language dailies here. Perhaps they did not immediately know who this "Dr. S. C. Hu" was. However, it caught the attention of the editor of the China Post, a weekly magazine in Chinese. Editor Chu wrote for the 5 April issue a short article entitled "Hu Shing-chiu (胡聲求) now Mining in the West". In this story, he recalls how Hu came with 800 inflated yuans /to the US/ as a Chiaotung University graduate and was later financed by his distant cousins, the Hu's and Chiu's in San Francisco, Chicago and New York, to complete his aeronautical engineering course at MIT. He goes on to say how he was enthusiastically supported by his fellow countrymen in his ventures (such as the defunct China Aircraft Factory in California and the China Motor Corp. in New Jersey); how he failed in both ventures and lost his cousins' investments by his own spending and wasting of the firm's money. During the war years, Hu used to fly around the country between Washington, San Francisco and New York. At that time he was well known to the Chinese in the US. However, in recent years the people in Chinatown seem to have forgotten about him, and Chu's article went on to say: "Where is this great Dr. Hu now? We have just discovered that he is mining tungsten out in Arizona. But this time he doesn't seem to have the heart to lose any more of his distant cousins' hard-earned money, though the common stock is but a dollar a share. Or could it be possible that he doesn't want his cousins to share the great profit when he knows for certain that there's gold in tungsten mining?"
6. This article was not meant to reflect on Hu or on his new enterprise. However, it immediately caught the attention of the Chinese Consulate in New York.
7. On 7 April 1953, Vice Consul K. L. Yuen (阮昆利) telephoned the China Post for three extra copies of the 5 April issue of the magazine. Then on 9 April, Consul-General Ping-hsun Chang issued a statement on behalf of the Nationalist Government on Taiwan denying any connection with the tungsten project. The gist of the statement was published in the World Telegram (9 April) and in the China Post (12 April).
8. To quote Hendershot of the World Telegram again:

"On 17 March, we carried in this column the statement that a group of Chinese Nationalists, 'closely identified with Chiang Kai-shek', were about to engage in the mining of tungsten in Arizona through the Standard Tungsten Corp. This statement was made to us by Dr. S. C. Hu, president of the company.

"A prospectus filed by the company with the Securities and Exchange Commission also contained the statement that David Huang, treasurer and a director of the company, 'is from one of the outstanding industrial families in China in the field of ferrous and non-ferrous metals. At present, his father is financial adviser to Chiang Kai-shek, and his brother-in-law is the Governor of Taiwan (K. C. Wu)'.

"Today, however, Dr. Ping-hsun Chang, Consul-General of the Nationalist Government of China, stated emphatically that the tungsten venture was not being financed by the Chinese Nationalist Government or by people close to Chiang Kai-shek."

9. Immediately after this denial, advertisements for common stock of the Standard Tungsten Corp. disappeared from the World Telegram, and at the same time, K. C. Wu's resignation as Governor of Taiwan was announced in Taipei.
10. Furthermore, on 20 April, an agent from the Securities and Exchange Commission visited the China Post for more information on the stock issue of the Tungsten Company, but unfortunately the Post had no more to offer.
11. From the foregoing description of the events, it is therefore safe to say that Hu's tungsten venture here might have climaxed the anti-Wu campaign on Taiwan by giving the opposition just the ammunition they needed. We might also say that the China Post had unknowingly helped the SEC to nip a case of fraud in the bud. It is now up to the SEC to pursue the matter further.

- end -